UNITED NATIONS

ECONOMIC AND SOCIAL COUNCIL

Distr.
GENERAL

E/CN.7/1993/17
12 November 1993

ORIGINAL: English

COMMISSION ON NARCOTIC DRUGS
Reconvened thirty-sixth session
Vienna, 16-17 December 1993
Item 7 of the agenda

ADMINISTRATIVE AND BUDGETARY MATTERS

Fund of the United Nations International Drug Control Programme

Proposed Final Programme Budget and Performance Report for the Biennium 1992-1993

Proposed Initial Programme Budget for 1994-1995

Programme Support Cost Arrangement

Report of the Advisory Committee on Administrative and Budgetary Questions *

1. Pursuant to the request contained in paragraphs 8 and 11 of resolution 13 (XXXVI) of the Commission on Narcotic Drugs, the Advisory Committee on Administrative and Budgetary Questions has considered the proposed final programme budget and performance report of the United Nations International Drug Control Programme (UNDCP) for the biennium 1992-1993 and the proposed initial programme budget for 1994-1995 (E/CN.7/1993/14 and Add.1), the Note by the Executive Director on the Programme support cost arrangement (E/CN.7/1993/15) as well as the Note by the Secretary-General on the administrative and financial arrangements regarding UNDCP (A/C.5/48/7). During its consideration of the above items, the Committee received additional information from representatives of the Executive Director of UNDCP and of the Secretary-General.

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* This document has not been formally edited

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Budget format and presentation

2. The Committee welcomes the improvements in the programme budget presentation, as recommended by the Committee in its last report on UNDCP (E/CN.7/1993/11) and endorsed by the Commission in resolution 13 (XXXVI). The Committee commends the Executive Director for his efforts to meet the Committee's concerns in presenting the budget document in a clearer and more systematic format.

3. The Committee is of the opinion that for the sake of financial and administrative purposes the document can be further improved and streamlined through a more concise narrative part and consolidation of tables. Furthermore, document E/CN.7/1993/14/Add.1 provides detailed information on each project; however, the format needs to be adjusted to the main document and there is a need for a more comprehensive presentation of the use of the Fund.

Methodology

4. The Executive Director proposes to express the budget for project activities as an estimate of expected expenditure rather than as an estimate of total project volume on the expectation of a 100 per cent delivery rate (para. 26). The Committee is of the view that the new concept in estimating the level of expenditure may involve risks and a certain subjectivity. The Committee notes that since full project implementation cannot be safely assumed and taking into account the difficulties during the current biennium (see para. 8 below), the Committee recommends that the Executive Director closely monitor expenditures under project activities and review the criteria for estimating actual programme implementation compared to resources available and the estimated level of expenditure; this comparison should be reflected in the budget document.

5. In this connection, the Committee reiterates its view, as indicated in its last report on UNDCP, that in the light of the forthcoming in-depth evaluation of the multilateral cooperation for drug control, it is particularly important to include in the programme budget document information on the general criteria applied in the utilization of resources as well as a description of the various goals and objectives of the programme and activities covered in the budget.

Income and programme delivery

6. As indicated in table 2, UNDCP's income of $119.7 million in 1992-1993 is estimated to remain at roughly the present level, or $123.1 million in 1994-1995, while the estimated expenditure is increasing considerably from $149.0 million to $187.9 million, or by 26 per cent. As a result, the fund balance which declined from $100.3 million in 1991 to $59.8 million in 1993 will be eliminated in 1995.

7. In this connection, the Committee notes that the estimated reduction in miscellaneous income from $731,000 in 1992-1993 to $512,000 in 1994-1995 (table 2) needs to be substantiated as well as the nature and functioning of the operating reserve (table 2). The Committee requests that the Executive Director indicate in the budget document the existing reserves of the Programme as well as the special accounts for specific purposes established from earmarked contributions according to the United Nations Rules and Regulations. The Committee recalls that regulation 7.3 of the Financial Regulations and Rules stipulates that moneys accepted for purposes specified by the donor shall be treated as trust funds or special accounts, and regulations 6.6 and 6.7 provide that trusts funds and special accounts established by the Secretary-General shall be reported to the Advisory Committee with a clear definition of their purposes and limits.

8. The Committee noted that the Executive Director was convinced that the Programme would have the necessary absorptive capacity for full programme delivery in 1994-1995 provided that the necessary project staff be recruited in a timely manner. In this connection, the Committee observes that the 1992-1993 expenditure are estimated at $149.0 million compared to the revised 1992-1993 budget of $186.7 million (table 3), equivalent to an implementation rate of 80 per cent. The Committee further notes that the implementation rate of project activities is 78 per cent (table 3) and programme delivery in Africa is very low with an implementation rate of 62.3 per cent (paras. 43 and 44).

9. The Committee is of the view that UNDCP may have to redeploy more staff for programme implementation and recommends that the Executive Director review the ratio of posts at headquarters versus field (table 10) and proceed cautiously with the opening of new field offices which are programme support units (see paras. 13 and 14 below). In view of the potential difficulties in fully financing the proposed programme in 1994-1995, the Committee recommends that UNDCP take a cautious approach in filling the proposed seven additional posts (table 10) and in opening the new field offices until the Executive Director is assured that there is sufficient income to meet the costs for these new posts and offices.

10. According to table 3, there is a negative growth of $226,100, or a reduction by 74.3 per cent, under policy-making organs in 1992-1993. The committee is of the view that major increases or reductions in the performance report should be explained in the budget document.

11. The Committee notes from the detailed project listing (E/CN.7/1993/14/Add.1) that most voluntary contributions are earmarked under bilateral arrangements and reiterates its opinion that efforts should be made to increase the level of resources which are available for general purposes of the Fund. The mechanism and criteria on the selection of executing agencies should be indicated in the budget document.

Proposed initial programme budget for 1994-1995

12. With regard to project activities, the Committee notes a large increase under contractual services from $22.8 million in 1992-1993 to $28.9 million in 1994-1995 at revised 1993 rates, or by 26.5 per cent, as well as under general operating expenses from $4.3 million to $5.6 million, or by 31.2 per cent (table 21). Bearing in mind the need for transparency, the Committee reiterates its view that major changes in project activities and related costs should be substantiated in the budget document.

13. According to table 10, the Executive Director proposes for 1994-1995 a total of 71 posts (36 Professional and 35 General Service) at headquarters, including seven new posts (three P-4, two P-2 and two General Service) and 129 posts (44 International and 85 local) for field operations. The Committee notes that almost half of the international staff are serving at headquarters and that the ratio of total staff at headquarters versus field is 35 to 65 per cent. Upon inquiry, the Committee was informed that the majority of staff at headquarters perform functions relating to the preparation, support and promotion of the Programme on a global basis. The Committee is of the view that the ratio of headquarters versus field is high and recommends that the Executive Director make efforts to redeploy staff and related functions to field operations with a view to enhancing programme delivery and cost-effectiveness.

14. As regards the proposed establishment of two new field offices in the Baltic States and Lebanon and a subregional office in Viet Nam (para.111), in addition to the existing 18 field offices (table 20), the Committee believes that the criteria for the establishment of new field offices in terms of programme delivery and operational requirements should be clearly indicated in the budget document, including the level of the programme delivery and a justification of the costs. In this connection, the Committee points out that the presence of a UNDP Office or United Nations Information Center at the location and the possibility of common premises should be duly taken into account.

15. As indicated in figure 2 on the distribution of resources (para. 67), the proportion for executive direction and management is proposed to increase from 15.0 to 19.5 per cent of the total resources while the share for the programme of work will decrease from 54.4 to 52.4 per cent. The Committee was not fully convinced of the need for greatly increasing the proportion for executive direction and management. The Committee recommends that the Executive Director review the proposed distribution of resources in 1994-1995 to enhance programme delivery and cost-effectiveness.

16. The Committee commends UNDCP for the cost-effective use of furniture and equipment, resulting in a negative growth of 35 per cent under field operations (table 18) and of 9 per cent under project activities (table 21).

Support costs

17. The Committee recalls that the Commission, in its resolution 13 (XXXVI), paragraph 11, requested the Executive Director to report on ways and means of dividing administrative expenses between special-purpose and general-purpose funds as well on the mechanisms for the determination of agency support costs, taking into account the promotion of government execution in the operational activities of the United Nations development system and the current practice of other programmes and funds of the United Nations.

18. The Committee notes that the presentation of tables 1 to 5 makes it easier to assess the level of support costs, including those charged to executing agencies (table 5). The Committee is of the opinion that while the estimated total programme support costs of $34.1 million, or 18.2 per cent of the total budget of UNDCP, have been identified (para. 61), there is room for improvement in the presentation. The Committee observes that support costs are met by assessments as well as voluntary contributions and believes there is a need for more transparency in the apportioned share and financing of these costs. For example, any programme support costs which are included in the project budget for national execution should be identified in the budget document.

19. The Committee reiterates its view on Programmes financed by extra-budgetary resources such as UNICEF and UNHCR that supplementary and global funds operations should be charged a fair share of the administrative and programme support costs incurred by a Programme or Trust Fund in managing the related operations (see E/ICEF/1993/AB/L.2, para. 23).

Programme support cost arrangement (E/CN.7/1993/15)

20. The Committee notes that according to the assignment of responsibilities, the concept of reimbursement is established on the basis of cost-sharing and a maximum reimbursement level of 13 per cent in accordance with United Nations practice (para. 33). Accordingly, if UNDCP participates

as a funding organization only, no programme support is retained by the Programme and any support activities in this respect, which should also be quantified and monitored, are covered under the United Nations regular programme budget. The Committee commends the Executive Director for his effort in identifying all direct costs of the central UNDCP budget involved in project execution to be charged to the project rather than to programme support (para. 33).

21. As indicated in paragraph 35, no programme support is retained by UNDCP for national execution. Unless they provide services free of charge, the Committee is of the view that national non-governmental executing agencies be provided with a share of administrative and programme support costs to reimburse some of their costs for management, support and promotion of such projects (see para. 19 above).

22. The Committee notes UNDCP's proposal in future to include its field offices in the programme support reimbursement scheme in view of the increasing technical and administrative backstopping activities of these offices (para. 36) and to utilize the programme support funds as a lump sum to partly cover the headquarters and field operations expenditure rather than presenting a programme support budget for 1994-1995 (para. 37). The Committee is of the opinion that a consolidated presentation of the programme support budget, indicating the estimated costs for technical and administrative support of UNDCP field offices, would be more transparent in showing the scope of support and related costs. The Committee therefore recommended that the Executive Director review the proposed concept and presentation of support costs of UNDCP field offices with a view to enhancing cost transparency.

23. The Committee notes that under the new programme support arrangement UNDCP is identified as the executing organization for projects implemented in association with UNIDO and OPS, thus retaining a share of programme support (para. 39). The Committee notes that this new policy substantially increases programme support for UNDCP generated from special-purpose projects as well as from charging in future not less than the standard rate of 13 per cent programme support for a specific project.

24. In view of its observations above, the Committee recommends that the Executive Director proceed with the proposed programme support cost arrangement and refine the new arrangement with a view to further reducing programme support costs under the central UNDCP budget and to achieving greater transparency, especially with regard to cost-sharing. The Committee further recommends that the Executive Director submit a progress report on the matter in the context of the revised 1994-1995 budget of the Programme.

Administrative and financial arrangements of UNDCP (A/C.5/48/7)

25. The Committee has taken note of the information on action taken by the Secretary-General to give effect to the decisions of the General Assembly contained in its resolution 46/185, part C, section XVI, with regard to the administrative and personnel arrangements of the Programme (A/C.5/48/7). The Committee endorses the actions taken and recommends that the Secretary-General and the Executive Director, UNDCP, closely monitor and keep under review the current arrangements in the light of the ongoing restructuring exercise at the United Nations and the implications for the structure of the United Nations Office at Vienna (UNOV). The Committee requests that the Executive Director keep the Committee informed of further developments with regard to the administrative and financial arrangements of the Programme.

26. In this connection, the Committee notes that the recruitment and administration of the staff of UNDCP financed by the Fund will be carried out through UNOV and that the Executive Director, for this purpose, would make use of the Personnel Service of UNOV (para. 9). The Committee was not fully convinced whether the current arrangements fully meet the General Assembly's request in its resolution 46/185, part C, section XVI, paragraph 5, "to take all measures necessary to expedite the recruitment of such personnel", taking into account the Programme's need to recruit staff expeditiously.